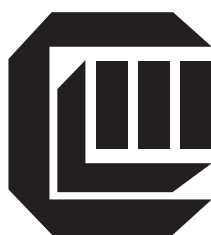


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# **VICTORY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

## **PLACING OF 52,000,000 NEW SHARES**

The Company has entered into 4 Subscription Agreements with Tai Man, Lu Suhua, Ng Lok Kei, and Yip Chi Kwan Golar respectively on 18th August 2003 for the placing of 52,000,000 new Shares of HK\$0.01 each in the share capital of the Company to the 4 placees at a price of HK\$0.02 per Placing Share.

The Placing Shares represent approximately 19.65% of the existing issued share capital of the Company and approximately 16.42% of the Company's issued share capital as enlarged by the Placing. The net proceeds from the Placing of approximately HK\$950,000 will be used for general working capital purposes, including the repayment of debts of approximately HK\$600,000. The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 28th May 2003. The general mandate has not been utilized prior to entering into the Subscription Agreements, and accordingly will be sufficient to cover the issue of Placing Shares.

The Placing Price represents (i) a discount of approximately 60.78% to the closing price of HK\$0.051 per Share quoted on the Stock Exchange on 18th August 2003, being the day of signing the Subscription Agreements and the last trading day before the suspension of trading of the Shares on 19th August 2003; (ii) a discount of approximately 56.43% to the average of the closing price per Share as quoted on the Stock Exchange of approximately HK\$0.0459 for the 10 trading days ended 18th August 2003; and (iii) a premium with reference to the Group's audited consolidated net liabilities (based on the audited consolidated net liabilities of the Group of approximately HK\$13.43 million as stated in the annual report of the Company for the year ended 31st December 2002). The Placing Price was agreed after arm's length negotiations and was determined having regard to the thin trading volume of Shares.

The Placing is conditional upon (i) the Listing Committee granting the listing of and permission to deal in the Placing Shares; and (ii) the Bermuda Monetary Authority granting permission for the allotment and issue of the Placing Shares (if so required).

Trading of securities of the Company on the Stock Exchange was suspended at 9:30 a.m. on 19th August 2003. Application will be made to the Stock Exchange to resume trading of the securities of the Company with effect from 9:30 a.m. on 22nd August 2003.

## SUBSCRIPTION AGREEMENTS DATED 18TH AUGUST 2003

### Issuer:

The Company

### Placees:

The Company signed the 4 Subscription Agreements respectively with the following 4 placees:

- (i) Tai Man;
- (ii) Lu Suhua;
- (iii) Ng Lok Kei; and
- (iv) Yip Chi Kwan Golar.

Each of the 4 placees is independent of and not connected with the Company, the Directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the Listing Rules). The 4 placees do not hold any Shares of the Company currently, and none of them have any relationship, business or otherwise, with the Company.

One of the placees, Ng Lok Kei, is a personal friend of Mr. Chan Chun Choi, a director of the Company. Mr. Ng and Mr. Chan had a discussion on the Company's plan to raise capital, and the former indicated his interest in acquiring some shares in the Company. Mr. Ng further introduced the other 3 placees to Mr. Chan, and the parties commenced negotiation on the Placing. Save for the friendship between Mr. Ng and Mr. Chan, the 4 placees are otherwise independent third parties not connected with any of the Directors and the Company. There will not be any new substantial shareholders, who shall hold more than 10% of the Shares of the Company, arising from the Placing.

### Number of Shares to be placed:

A total of 52,000,000 new Shares are to be placed, representing approximately 19.65% of the existing issued share capital of the Company and approximately 16.42% of the issued capital of the Company as enlarged by the Placing Shares.

Name of placees	Number of Shares held upon completion of the Placing	% to existing issued share capital (approximately)	% to issued share capital as enlarged by the Placing Shares (approximately)
Tai Man	31,250,000	11.81%	9.87%
Lu Suhua	750,000	0.28%	0.24%
Ng Lok Kei	10,000,000	3.78%	3.16%
Yip Chi Kwan Golar	10,000,000	3.78%	3.16%

### Placing Price:

The Placing Price is HK\$0.02 per Placing Share. This price was agreed after arm's length negotiations and was determined having regard to the thin trading volume of the Shares.

The Placing Price represents (i) a discount of approximately 60.78% to the closing price of HK\$0.051 per Share quoted on the Stock Exchange on 18th August 2003, being the day of signing the 4 Subscription Agreements and the last trading day before the suspension of trading of the Shares on 19th August 2003; (ii) a discount of approximately 56.43% to the average of the closing price per Share as quoted on the Stock Exchange of approximately HK\$0.0459 for the 10 trading days ended 18th August 2003; and (iii) a premium with reference to the Group's audited consolidated net liabilities (based on the audited consolidated net liabilities of the Group of approximately HK\$13.43 million as stated in the annual report of the Company for the year ended 31st December 2002).

The Group is in need of additional fundings. The Group has explored various means of raising funds including additional bank financing. The Placing is the only possible opportunity for the Group to raise capital. The Placing Price represents a premium with reference to the net liabilities of the Company. After arm's length negotiation with the 4 placees and after having considered the aforesaid circumstances, the Directors consider the Placing Price is fair and reasonable and in the interest of the Company.

**Ranking of the Placing Shares:**

The Placing Shares will rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of the allotment and issue of the Placing Shares.

**General mandate:**

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 28th May 2003. The general mandate has not been utilized prior to entering into the Subscription Agreements, and accordingly will be sufficient to cover the issue of Placing Shares.

**Conditions of the Placing:**

The Placing is conditional upon (i) the Listing Committee granting the listing of and permission to deal in the Placing Shares; and (ii) the Bermuda Monetary Authority granting permission for the allotment and issue of the Placing Shares (if so required).

**Completion:**

The Placing is to be completed on or before the third Business Day following the date on which all the conditions referred to above are fulfilled, and in any event, no later than 18th September 2003 or such other date as the Company and each of the placees shall agree.

**Application for listing:**

Application will be made by the Company to the Stock Exchange for the grant of the listing of and permission to deal in the Placing Shares.

**USE OF PROCEEDS AND REASONS FOR THE PLACING**

The Company is an investment holding company. The Group is principally engaged in the marketing and wholesale distribution of left-hand-drive motor vehicles. The Placing will generate a total of HK\$1,040,000 and net proceeds of about HK\$950,000 after payment of financial, legal, printing and publication charges. The Company intends to apply approximately HK\$600,000 for repayment of debts and the remaining HK\$350,000 for other general working capital purposes. As the Company is in need of additional fundings for its general working capital, the Directors consider that the Placing represents a good opportunity to raise further working capital for the Company while at the same time broadening its shareholder and capital base.

**RESULTS OF LAST YEAR AND BANKING FACILITIES**

The audited turnover and net loss attributable to shareholders of the Group for the year ended 31st December 2002 were HK\$33.43 million and HK\$2.52 million, respectively. At present, the banking facilities granted to the Group amounts to HK\$21.64 million, which has fully utilized by the Group's subsidiaries.

## EFFECT IN SHAREHOLDINGS

Assuming that the Placing is completed, the shareholding of Eternal Victory Enterprise Inc., of which the beneficial owner is Mr. Chan Chun Choi who is a director of the Company, the existing controlling shareholder of the Company, immediately before the Placing and immediately after the Placing are as follows:

Name	Number of Shares held	Shareholding	
		Existing	Immediately after the Placing
Eternal Victory Enterprise Inc.	110,377,586	41.71%	34.86%

## FUND RAISING ACTIVITIES FOR THE PAST 24 MONTHS

During the past 24 months, the Company undertook 2 fund raising exercises:

- (i) The issuing of 73,537,200 new shares (the “Rights Shares”) of HK\$0.01 each on the basis of one rights share for every two existing ordinary shares held by members of the Company by way of rights issue at a price of HK\$0.10 per rights share, for net proceeds of about HK\$6 million, of which HK\$4.5 million was intended for reducing the borrowing of the Group and the remaining HK\$1.5 million for general working capital of the Group. The Company has made announcement in this respect on 18th December 2001. The prospectus on the rights issue dated 8th January 2002 was dispatched to qualified shareholders of the Company on 8th January 2002, and no shareholders’ approval was required on the rights issue. The 73,537,200 Rights Shares were issued on 30th January 2002. Net proceeds of HK\$6.18 million were actually raised, of which HK\$3.5 million was used to reduce the bank loans and the remaining funds of HK\$2.68 million were used to purchase merchandise for meeting the demand of the Group’s distribution sales in China.
- (ii) The placing of 44,000,000 new shares (the “Placement Shares”) of HK\$0.01 each at a price of HK\$0.115 per share to 6 independent investors on 10th June 2002 for net proceeds of approximately HK\$4.5 million for the general working capital of the Company. The Company has made announcement in this respect on 28th May 2002. The price for the Placement Share of HK\$0.115 per share represents a discount of approximately 4.96% to the closing price of the Shares; i.e. HK\$0.121 as quoted on the Stock Exchange on 27th May 2002. The Placement Shares, representing 19.94% of the then issued share capital of the Company, were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 27th May 2002. The actual amount of net proceeds raised was HK\$4.36 million, of which HK\$2 million was applied for reducing the bank loans and the remaining HK\$2.36 million was for the procurement of updated inventories.

## GENERAL

The Group is in need of additional fundings. The Group has explored various means of raising funds including additional bank financing. The Placing is the only possible opportunity for the Group to raise capital. The Placing Price represents a premium with reference to the net liabilities of the Group. After arm’s length negotiation with the 4 placees and after having considered the aforesaid circumstances, the Directors consider the terms of the Placing Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole. Further announcement will be made on the status of the Placing as and when appropriate.

Trading of securities of the Company on the Stock Exchange was suspended at 9:30 a.m. on 19th August 2003. Application will be made to the Stock Exchange to



resume trading of the securities of the Company will effect from 9:30 a.m. on 22nd August 2003.

## **DEFINITIONS**

“Board”	board of Directors
“Company”	Victory Group Limited, a company which is incorporated in Bermuda with limited liability and listed on the Stock Exchange
“Directors”	the directors, including independent non-executive directors, of the Company
“Group”	the Company and its subsidiary
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the 4 Subscription Agreements
“Placing Price”	HK\$0.02 per Placing Share
“Placing Shares”	a total of 52,000,000 new Shares to be placed under the Placing
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	the 4 subscription agreements entered into between the Company and Tai Man, Lu Suhua, Ng Lok Kei and Yip Chi Kwan Golar respectively on 18th August 2003 for the placing of the Placing Shares
“HK\$”	Hongkong dollar

By Order of the Board  
**Victory Group Limited**  
**Chan Chun Choi**  
*Chairman*

Hong Kong, 21st August 2003

Please also refer to the published version of this announcement in The Standard.